



U.S. COAST GUARD



Homeland Security

Flag Voice 234

Quick Links

[Human Resources Home](#)
[Be a Part of the Coast Guard:](#)

- »» [Military Careers](#)
- »» [Civilian Opportunities](#)
- »» [Learn about the Reserve](#)
- »» [Coast Guard Academy](#)

[Flag Voice](#)
[»» Biography of the Assistant Commandant for Human Resources](#)
[Future Force](#)
[Contact Us](#)

BASIC ALLOWANCE FOR HOUSING (BAH)

We are within a few weeks of the Department of Defense (DoD) releasing the new Basic Allowance for Housing (BAH) and Cost of Living Allowance (COLA) rates for calendar year 2005. Last winter, I addressed the issue of COLA in Flag Voice 207 which is available on CG Central at http://mycg.uscg.mil/uscg_docs/portal/MyCG/Editorial/20040113/FV207%20-%20CONUS%20COLA%20RATE%20ADJUSTMENTS%20FOR%202004.doc. I urge unit commanders in COLA-authorized areas to refer to that Flag Voice as necessary in order to brief their crews. This year, I thought it appropriate to address the issue of BAH, and to provide a layman's explanation of how this very complex process works.

The BAH program provides an adequate housing allowances to those service members that do not reside in government owned/leased housing. The allowance is structured to allow members to obtain adequate (median priced) *rental* housing within a designated commuting distance from their permanent duty station.

Other Links

[Department of Homeland Security \(DHS\)](#)
[Department of Transportation \(DOT\)](#)
[Coast Guard Retirees](#)
[Coast Guard News and Information](#)
[Military Locator](#)

Each year, DoD employs the services of a private contractor to collect and analyze housing cost data from approximately 400 Military Housing Areas (MHAs) throughout the United States (including Alaska and Hawaii) based on zip codes. This cost data considers local rental costs, utility fees, and renters insurance. This data does not consider the cost of home ownership or any non-housing expenses. While rising home prices may seriously impact a member's ability to purchase a home, it is the cost of housing *rentals* that drives BAH rates.

Data collection occurs in the spring and summer when housing markets are most active. Rental costs are collected on apartments, townhouses, duplexes, and single-family rental units of varying bedroom sizes. These housing types are referred to as "profiles" or "anchor points." There are a total of six anchor points in each MHA, from which all BAH rates for a given area are derived.

In conducting the annual analysis, DoD draws on data from multiple sources to ensure a balanced and accurate review. These sources may include the following:

- Current residential advertisements from local newspapers and real estate rental listings
- Telephone surveys with local apartment and real estate management companies
- On-site reviews at selected locations
- Input provided by local base housing offices on the

location of unacceptable neighborhoods

Once the full range of data is collected, the process of validation begins. Should the data from a single source be unsupported by the other sources, the suspect data may be disallowed. In the end, the anchor points are established using the median costs from the allowed data. The remaining BAH rates are then developed from the anchor points using an established formula.

Presently, there are two *protections* in place that prevent BAH in a given area from being reduced unexpectedly. The first, *individual rate protection*, is law and protects individuals from receiving less BAH than they received in the previous year while still assigned to the same duty station. The second, *geographic rate protection*, is based on policy established by DoD under temporary transitional authority, and prevents BAH in a given MHA from being reduced from the previous year's rate. This latter protection was established in order to stabilize rates during the ongoing five-year adjustment designed to eliminate the historic out-of-pocket contribution by members. The transitional authority for *geographic rate protection* expires in November 2005. DoD has not yet determined whether they will continue the program in 2006. While the 2005 rates are not yet public, they will be structured to eliminate the out-of-pocket contribution in all MHAs beginning on 1 January 2005.

In the case of those small military facilities that are located in remote areas outside one of the 400 MHAs, BAH rates are set according to a *County Cost Group methodology*, which is based on U.S. HUD's Fair Market Rent Index and is subject to rate fluctuation. In these cases, only *individual rate protection* applies. Consequently, two members of equal rank/rate and dependent status can receive different monthly BAH depending on the rate that was in effect when they reported to their unit.

Like the annual Cost of Living Allowance (COLA) analysis, the BAH analysis is treated as close-hold by DoD, and is not subject to outside/field influence once the data collection phase is completed. The BAH rates for the forthcoming calendar year are typically released by DoD in mid-December of each year. By law, these rates go into effects on 1 January. Again, the rates for calendar year 2005 should be public within the next several weeks.

Regards,

RADM Kenneth T. Venuto
Ken Venuto

This page is maintained by [HR Webmaster \(CG-1A\)](#)

Last modified: undefined NaN, NaN